

Annual Statement of the Financial Condition of the Massachusetts Teachers' Retirement System

To the Public Employee Retirement Administration
Commission
for the year ended December 31, 2011

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To the Public Employee Retirement Administration Commission
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DATE OF FILING: APRIL 27, 2012

THE MASSACHUSETTS TEACHERS' RETIREMENT BOARD

Jeff Wulfson

Chairman

Deputy Commissioner of Department of Elementary and Secondary Education

Steven Grossman

State Treasurer

Chairman, Pension Reserves Investment Management (PRIM) Board

Suzanne M. Bump

State Auditor

Dennis J. Naughton

Elected by the membership

Retired Massachusetts educator

Richard L. Liston

Appointed by the Board

Retired Massachusetts educator

Karen Ann Mitchell

Elected by the membership

MTRS appointed representative to the PRIM Board

Active Massachusetts educator

Anne Wass

Appointed by the Governor

Retired Massachusetts educator

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MTRS Annual Statement

For the year ended December 31, 2011

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Board Certification of Annual Statement

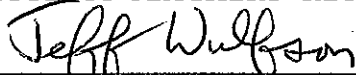
ANNUAL STATEMENT
for the
FINANCIAL CONDITION
of the
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM
Organized under the Laws of the Commonwealth of Massachusetts
to the

COMMISSIONER OF PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
OF THE COMMONWEALTH OF MASSACHUSETTS
PURSUANT TO THE LAWS THEREOF

Massachusetts Teachers' Retirement System
One Charles Park, Cambridge, MA 02142-1206
Telephone: 617-679-6877

We, the undersigned members of the Teachers' Retirement System, certify under the penalties of perjury, that we are the official board members of said retirement system, and that on the thirty-first day of December last, all of the herein-described assets were the absolute property of said retirement system, free and clear from any liens or claims thereon, except as stated, and the following statements, with the schedules and explanations therein contained, annexed, or referred to, are a full and correct exhibit of all the assets, liabilities, income and disbursements, changes in fund balances and of the conditions and affairs of the said retirement system on the said thirty-first day of December last, and for the year ended on that date, according to the best of our information, knowledge and belief, respectively.

MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM



Jeff Wulfson, Chairman

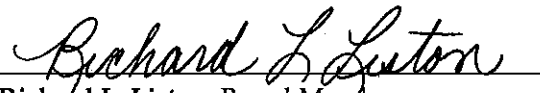
Designee of Commissioner of Elementary and Secondary Education



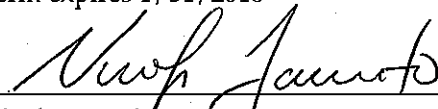
Dennis J. Naughton, Board Member
Term expires 12/31/2015



Karen Ann Mitchell, Board Member
Term expires 12/31/2015

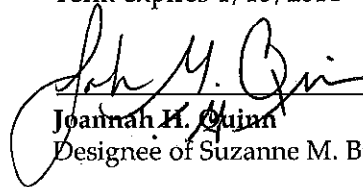


Richard L. Liston, Board Member
Term expires 1/31/2016



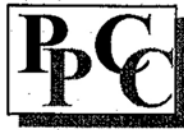
Nicola Favorito
Designee of Steven Grossman

Anne Wass, Board Member
Term expires 4/18/2014



Joannah H. Quinn
Designee of Suzanne M. Bump

Public Pension Coordinating Council Award



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2011***

Presented to

Massachusetts Teachers Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in dark ink, reading 'Alan H. Winkle'. The signature is fluid and cursive, with the first name 'Alan' being more prominent.

Alan H. Winkle
Program Administrator

Members of the Board



Jeff Wulfson
Chairman

Deputy Commissioner
of Department of
Elementary and
Secondary Education



Karen Ann Mitchell

Elected by
the membership

Active Massachusetts
educator;
MTRS appointed
representative
to the PRIM Board



Steven Grossman
State Treasurer

Chairman,
Pension Reserves
Investment
Management (PRIM)
Board



Anne Wass

Appointed by
the Governor

Retired
Massachusetts
educator



Suzanne M. Bump
State Auditor

Dennis J. Naughton

Elected by the membership
Retired Massachusetts educator

Richard L. Liston

Appointed by the Board
Retired Massachusetts educator

Annual Statement Balance Tests

For the year ended December 31, 2011

2011

ASSET BALANCE

Assets Previous Year	\$ 21,149,737,504
Income Current Year	1,641,547,349
Disbursements Current Year	2,581,286,695
Assets Current Year	\$ 20,209,998,158

ASSET DIFFERENCE

Assets Current Year	\$ 20,209,998,158
Assets Previous Year	21,149,737,504
Difference	\$ (939,739,346)

INCOME DIFFERENCE

Income Current Year	\$ 1,641,547,349
Disbursements Current Year	2,581,286,695
Difference	\$ (939,739,346)

FUND CHANGE DIFFERENCE

Total Fund Change Credits Current Year	\$ 2,977,280,558
Total Fund Change Debits Current Year	3,917,019,904
Difference	\$ (939,739,346)

Annual Statement Balance Tests

Continued

Three-Year Comparison

	2011	2010	2009
ASSET BALANCE			
Assets Previous Year	\$ 21,149,737,504	\$ 19,469,219,967	\$ 17,314,051,852 *
Income Current Year	1,641,547,349	4,016,877,880	4,383,831,377
Disbursements Current Year	2,581,286,695	2,336,360,343	2,228,663,262
Assets Current Year	\$ 20,209,998,158	\$ 21,149,737,504	\$ 19,469,219,967

ASSET DIFFERENCE

Assets Current Year	\$ 20,209,998,158	\$ 21,149,737,504	\$ 19,469,219,967
Assets Previous Year	21,149,737,504	19,469,219,967	17,314,051,852 *
Difference	\$ (939,739,346)	\$ 1,680,517,537	\$ 2,155,168,115

INCOME DIFFERENCE

Income Current Year	\$ 1,641,547,349	\$ 4,016,877,880	\$ 4,383,831,377
Disbursements Current Year	2,581,286,695	2,336,360,343	2,228,663,262
Difference	\$ (939,739,346)	\$ 1,680,517,537	\$ 2,155,168,115

FUND CHANGE DIFFERENCE

Total Fund Change			
Credits Current Year	\$ 2,977,280,558	\$ 5,352,837,091	\$ 5,645,041,628
Total Fund Change			
Debits Current Year	3,917,019,904	3,672,319,554	3,489,873,513
Difference	\$ (939,739,346)	\$ 1,680,517,537	\$ 2,155,168,115

* See Notes on the Financial Statements, Intangible Software Cost, page 14.

Assets and Liabilities

		2011	2010	2009
1040	Cash	\$ 6,491,945	\$ 56,608,632	\$ 193,604,890
1198	PRIT Cash Account	13,460,951	15,983,580	17,922,988
1199	PRIT Capital Fund	20,115,152,921	21,000,336,165	19,311,587,953
1398	Accounts Receivable	66,873,152	65,933,866	65,249,310
1400	Prepaid Postage	115,100	78,608	109,762
1350	Prepaid Contracts	130,967	106,477	70,906
1900	Intangible Software Costs	12,423,297	10,999,460	7,868,871
2020	Accounts Payable	(4,650,175)	(309,284)	(127,194,712)
	Total	\$ 20,209,998,158	\$ 21,149,737,504	\$ 19,469,219,967
3293	Annuity Savings Fund	\$ 5,385,102,928	\$ 5,163,834,249	\$ 4,928,039,833
3294	Annuity Reserve Fund	2,591,961,810	2,543,502,166	2,444,390,289
3295	Military Service Fund	366,792	336,522	319,019
3296	Pension Fund	—	—	—
3298	Expense Fund	—	—	—
3297	Pension Reserve Fund	12,232,566,628	13,442,064,567	12,096,470,826
	Total	\$ 20,209,998,158	\$ 21,149,737,504	\$ 19,469,219,967

Statement of Funds Flow

	2010 Balance	Receipts	Inter-Fund Transfers	Disbursements	2011 Balance
Annuity Savings Fund	\$ 5,163,834,249	\$ 625,177,502	\$ (368,596,325)	\$ 35,312,498	\$ 5,385,102,928
Annuity Reserve Fund	2,543,502,166	75,067,465	368,596,325	395,204,146	2,591,961,810
Pension Fund	0	955,164,868	1,059,872,889	2,015,037,757	0
Military Service Fund	336,522	30,270	0	0	366,792
Expense Fund	0	135,732,294	0	135,732,294	0
Pension Reserve Fund	13,442,064,567	(149,625,050)	(1,059,872,889)	0	12,232,566,628
Total All Funds	\$ 21,149,737,504	\$ 1,641,547,349	\$ —	\$ 2,581,286,695	\$ 20,209,998,158

Transfers

Transfer from Annuity Savings Fund to Annuity Reserve Fund on Account of Retirements	\$ 368,596,325
Transfer from Pension Reserve Fund to Pension Fund to Fund Pensions	\$ 1,059,872,889

Receipts

		2011	2010	2009
Annuity Savings Fund				
4891	Members' Deductions	\$ 593,682,638	\$ 577,705,339	\$ 570,826,634
4892	Transfers from Other Systems	10,157,317	12,683,504	13,039,856
4893	Member Make-Up Payments and Redeposits	12,494,915	9,245,512	9,052,502
4900	Member Payments from Rollovers	8,382,708	6,403,052	5,136,403
4902	Early Retirement Incentive Plans	0	715,309	4,011,408
4820	Investment Income Credited to Members' Accounts	459,924	23,414,385	21,516,163
	Subtotal	\$ 625,177,502	\$ 630,167,101	\$ 623,582,965

Annuity Reserve Fund

4820	Investment Income	75,067,465	73,326,678	58,302,355
	Subtotal	\$ 75,067,465	\$ 73,326,678	\$ 58,302,355

Pension Fund

4898	3(8)(c) Reimbursements from Other Systems	12,306,958	12,838,684	13,307,848
4899	Received from Commonwealth for COLA	153,291,539	139,475,980	125,774,730
4894	Pension Fund Appropriation	789,455,959	691,177,107	673,557,199
4840	Workers' Compensation Settlement	110,412	—	244,800
	Subtotal	\$ 955,164,868	\$ 843,491,771	\$ 812,884,577

Military Service Fund

4890	Contributions Received for Military Service	30,233	17,847	26,736
4820	Investment Income	47	1,591	1,329
	Subtotal	\$ 30,270	\$ 19,438	\$ 28,065

Expense Fund

4820	Investment Income Credited to Expense Fund	135,732,294	123,124,844	\$ 137,466,261
	Subtotal	\$ 135,732,294	\$ 123,124,844	\$ 137,466,261

Pension Reserve Fund

4897	Federal Grant Reimbursement	4,886,335	4,302,508	4,234,811
4822	Interest Not Refunded	308,386	471,957	496,302
4820	Excess Investment Income	(154,972,196)	2,341,966,288	2,746,811,491
4825	Section 91, Recovery Due to Excess Earnings	152,425	7,295	24,551
	Subtotal	\$ (149,625,050)	\$ 2,346,748,048	\$ 2,751,567,155

TOTAL RECEIPTS		\$ 1,641,547,349	\$ 4,016,877,880	\$ 4,383,831,378
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Disbursements

		2011	2010	2009
Annuity Savings Fund				
5757	Refunds to Members	\$ 30,180,873	\$ 26,434,060	\$ 23,982,434
5756	Transfers to Other Systems	5,131,625	3,557,156	5,762,501
	Subtotal	\$ 35,312,498	\$ 29,991,216	\$ 29,744,935
Annuity Reserve Fund				
5750	Annuities Paid	393,981,869	365,946,069	339,663,857
5759	Option B Refunds	1,222,277	2,230,636	2,408,783
	Subtotal	\$ 395,204,146	\$ 368,176,705	\$ 342,072,640
Pension Fund				
5751	Pensions Paid (Regular Pension Payments)	1,647,559,978	1,556,989,363	1,464,438,192
5755	3(8)(c) Reimbursements to Other Systems	214,155,411	118,583,740	129,148,190
5753	QEBA	30,829	18,495	18,315
5752	COLAs Paid	153,291,539	139,475,980	125,774,730
	Subtotal	\$ 2,015,037,757	\$ 1,815,067,578	\$ 1,719,379,426
Military Service Fund				
4890	Return to Municipality for Members Who Withdrew their Funds	—	—	—
	Subtotal	\$ —	\$ —	\$ —
Expense Fund				
5119	Salaries	6,601,420	6,309,642	6,437,102
5304	Management Fees	103,757,349	91,951,236	102,960,350
5308	Legal Expenses	19,433	37,301	23,770
5311	Service Contracts	1,079,734	882,106	1,144,746
5312	Rent Paid	743,742	791,862	765,668
5320	Education and Training	5,744	11,028	4,684
5588	PERAC Expenses	3,661,332	2,865,172	3,692,207
5589	Administrative Expenses	543,380	346,827	385,446
5599	Furniture and Equipment	262,752	207,818	486,536
5719	Travel	16,685	17,916	11,685
5897	Federal Grants Distributed	4,886,335	4,302,508	4,234,811
5900	Reimbursement to General Fund	12,306,958	13,553,998	17,319,256
5829	Amortization Expense	1,847,430	1,847,430	—
	Subtotal	\$ 135,732,294	\$ 123,124,844	\$ 137,466,261
Pension Reserve Fund				
	Subtotal	\$ —	\$ —	\$ —
TOTAL DISBURSEMENTS		\$ 2,581,286,695	\$ 2,336,360,343	\$ 2,228,663,262

Investment Income

	2011	2010	2009
INVESTMENT INCOME			
Investment Income received from:			
Cash	\$ 206,796	\$ 296,764	\$ —
Pooled or Mutual Funds	633,913,530	565,231,459	528,791,117
Total Investment Income	\$ 643,120,326	565,528,223	528,791,117
4884 Realized Gains (loss)	647,311,266	507,095,689	(879,081,636)
4886 Unrealized Gains (loss)	2,042,940,305	3,852,091,040	4,685,061,004
	\$ 2,690,251,572	\$ 4,359,186,728	\$ 3,805,979,368
4887 Less Unrealized Losses	(3,256,450,965)	(2,362,881,165)	(1,370,672,887)
4885 Realized loss	(11,633,400)	—	—
Net Investment Income (loss)	\$ 56,287,534	\$ 2,561,833,786	\$ 2,964,097,598
INCOME REQUIRED			
3293 Annuity Savings Fund	459,924	23,414,385	21,516,163
3294 Annuity Reserve Fund	75,067,465	73,326,678	58,302,355
3295 Military Service Fund	47	1,591	1,329
3298 Expense Fund	135,732,294	123,124,844	137,466,261
Total Income Required	\$ 211,259,730	\$ 219,867,498	\$ 217,286,107
Net Investment Income (loss)	\$ 56,287,534	\$ 2,561,833,786	\$ 2,964,097,598
Less Income Required	211,259,730	219,867,498	217,286,107
Excess Income (Loss) to Pension Reserve Fund	\$ (154,972,196)	\$ 2,341,966,288	\$ 2,746,811,491

Membership Information

Active Members

Previous Year Ending December 31, 2010	87,037
Net Change During Report Year 2011	(1,183)
Active Membership Current Year Ending December 31, 2011	85,854

Inactive Members

Previous Year Ending December 31, 2010	21,363
Net Change During Report Year 2011	(1,254)
Inactive Membership Current Year Ending December 31, 2011	20,109

Retired Members, Beneficiaries and Survivors

Previous Year Ending December 31, 2010	56,147
Net Change During Report Year 2011	1,802
Retired, Beneficiary and Survivor Membership Current Year Ending December 31, 2011	57,949

Superannuation	30,605
Minimum Pension Retirements	131
Pop-Up Retirements	668
Early Retirements	1,019
Guardians	7
RetirementPlus Retirements	21,037
Survivors	3,551
Accidental Death Retirements	20
Ordinary Disability	428
Accidental Disability	335
Termination	148

Total Membership, December 31, 2011	163,912
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Notes on the Financial Statements

■ Significant Accounting Policies

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of the Public Employee Retirement Administration Commission. All investments are stated at market value at the end of the year.

Annuity Savings Fund

The Annuity Savings Fund is the fund to which all members' contributions are deposited. Members withdrawing from the System received a refund of their total accumulated contributions and a required amount of interest. Refunds to members for the report year 2011 were \$30,180,873 and transfers to other systems were \$5,131,625. The value of the Annuity Savings Fund was \$5.385 billion as of December 31, 2011. In 2011, interest is lower due to a lower interest rate of 0.002% and an adjustment. In 2010, interest was overstated by applying an incorrect interest rate of 0.005% when the correct rate was 0.003%. The overstatement last year of \$9.061 million is being adjusted to understate the current year's interest.

Annuity Reserve Fund

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and the Special Fund for Military Service credit. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance. The number of new retirees increased by 3.2% from 56,147 in 2010 to 57,949 in 2011 and an amount of \$368.59 million was transferred to the Annuity Reserve Fund. The value of the Annuity Reserve Fund was \$2.591 billion as of December 31, 2011.

Pension Fund

The Pension Fund contains the amounts appropriated by the Commonwealth of Massachusetts and investment funds liquidated from the Pension Reserve Investment Trust designated to pay the pension portion of each retirement allowance.

Pension Reserve Fund

The Pension Reserve Fund is administered by the Pension Reserves Investment Management Board (PRIM Board). The Fund contains amounts appropriated by the Commonwealth of Massachusetts for the purposes of funding future retirement benefits. Any investment income in excess of the amount required to credit the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund and the Special Military Service fund is credited to the Pension Reserve Fund. On November 7, 1996 Massachusetts State Teachers' and Employees' Retirement Systems Trust (MASTERS) was merged into the Pension Reserves Investment Trust (PRIT) Fund to form a consolidated pension fund under the management of the Pension Reserves Investment Management Board. Inactive member account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity. There were no amounts transferred from the Annuity Savings Fund for 2011.

■ Military Service Fund

The Military Service Fund contains contributions and interest for members while on a military leave for service in the Armed Forces and who receive creditable service for the period of that leave. The balance in the Military Service Fund on December 31, 2011 was \$366,792. No adjustment was made to the Military Service Fund during report year 2011 as no military members retired from the system. Contributions and interest income credited to the Military Service Fund were \$30,233 and \$47 respectively. Interest is lower in 2011 due to a lower rate of 0.002% and an adjustment to correct an overstatement in 2010. The interest rate used was incorrect in 2010 at 0.005%, the correct rate was 0.003%.

■ Expense Fund

The Expense Fund contains amounts transferred from investment income for the purpose of administering the Teachers' Retirement System. Due to the nature of the Teachers' Retirement System's funding and payment structure, it is necessary to record any unreimbursed balances in the Accounts Receivable account. No amounts were unreimbursed as of December 31, 2011.

Management fees are amounts paid by the Pension Reserve Investment Trust for managing investments. PERAC requires these costs be accounted for in the expense fund.

Reimbursement to the general fund of \$12,306,958 in 2011 contains amounts MTRS receives for the early retirement payments and 3(8)(c) payments received by other retirement systems which are deposited into the MTRS accounts at Bank of America and then are swept by Treasury and posted to the Commonwealth's General fund. MTRS does not have spending authority on these funds.

Federal grants distributed equal federal grant received. Federal money is a pass-through from school districts to MTRS to the Commonwealth's general fund; MTRS role is administrative in that we collect, deposit and record federal funds to the Commonwealth's general fund with no spending authority.

■ Interest-Not-Refunded

Interest-not-refunded is interest forfeited by members upon withdrawal from the System prior to becoming fully vested. The interest forfeiture applies to members who commenced employment or after January 1, 1984. The 2011 Interest-not-refunded of \$308,386 is recorded as revenue in the Pension reserve fund.

■ 3(8)(c)

A 3(8)(c) reimbursement is the pension benefit reimbursement received from other Massachusetts public retirement systems for the portion of creditable service attained by retirees formerly contributing to another retirement system. The total 3(8)(c) reimbursements received in 2011 for report year 2010 is ultimately credited to the Commonwealth of Massachusetts General Fund for purpose of reducing the state's actuarial liability. The Teachers' Retirement System's 3(8)(c) from other systems during report year 2011 was \$12.306 million. The amount the Teachers' Retirement System paid to other systems out of the Pension fund was \$214.155 million including \$90.339 million paid to the city of Boston.

■ Qualified Excess Benefit Arrangement (QEBA)

To comply with Section 415 of the Internal Revenue Code which imposes limits on benefits and annual additions that restrict retirement benefits, the MTRS has funded a QEBA account. The QEBA account will provide benefits that cannot be provided under a qualified plan due to the limits of section 415 on contributions and benefits. The balance is accounted for in cash.

The Activity in the Account:	Beginning Balance	\$ 3,387
	Revenue	50,000
	Less Payments	— 30,829
	Balance 12/31/11	\$ 22,558

To discretely present 2009 and 2010 QEBA payments, \$18,315 and \$18,495 were reclassified from Pensions paid to QEBA.

■ Intangible Software Cost: New Line of Business Solution/MyTRS

Capital Asset Activity

Computer hardware and software is recorded at cost and is being amortized on a straightline basis over a useful life of 3 years and 7 years respectively.

	January 1, 2011	Increase	Decrease	December 31, 2011
Assets Being Amortized:				
Computer Hardware	\$ 63,840	\$ 0	—	\$ 63,840
Computer Software	12,783,050	3,271,267	—	16,054,317
Total	\$ 12,846,890	\$ 3,271,267	—	\$ 16,118,157
Less: Accumulated Amortization				
Computer Hardware	\$ 21,280	\$ 21,280	—	\$ 42,560
Computer Software	1,826,150	1,826,150	—	3,652,300
	\$ 1,847,430	\$ 1,847,430	—	\$ 3,694,860
Net Book Value	\$ 10,999,460	\$ 1,423,837	—	\$ 12,423,297

■ Estate Receivable and Payable

When a member becomes deceased, this event creates a receivable and a payable between the retirement system and the estate. At December 31, 2011 the amount due to be received from estates is \$1,064,093 and the amount payable to estates including the deceased members' remaining annuity balance is \$1,239,236.

For members who have died in calendar 2011, \$21,819 is due from estates.

■ Receivable

The Commonwealth appropriated \$939,894,996 for State and Boston Teachers for fiscal 2012 of which \$424,747,998 was still due to be transferred to MTRS as of December 31, 2011 for the remaining FY2012 appropriation.

Members may purchase creditable service on an installment basis. There are approximately 763 members with \$4,830,877 in potential receivables due for service purchases. Of that total, \$1,720,605 is due to be collected within one year.

Appendix A

Detail of Accounts Receivable and Accounts Payable

		2011 Amount	Original Date
ACCOUNTS RECEIVABLE			
4893	Estate Accounts Receivable	\$ 1,064,093	Jan-March 2012
4893	Allowance for Doubtful Accounts	(969,907)	
	Net, Estate Accounts Receivable	\$ 94,186	
4893	Installment Accounts Receivable	\$ 4,830,878	Jan-March 2012
4891	Member Deductions	61,765,688	Jan-April 2012
4840	Workers' Compensation Settlement	182,400	
	Total Accounts Receivable	\$ 66,873,152	
ACCOUNTS PAYABLE			
5119	Accrued Staff Salaries	\$ 196,030	January 2012
5119	Staff Salaries	8,769	Jan-March 2012
1902	Fixed Asset	8,256	
5308	Legal Expense	492	
5311	Service Contracts	38,372	
5589	Administrative Expense	45,212	
5599	F & E Expense	3,536	
5757	Estate Accounts Payable	1,239,236	
4893	Deferred Revenue-Installment Receivable	3,110,272	
	Total Accounts Payable	\$ 4,650,175	

Appendix B

Massachusetts Pension Reserves Investment Trust Statements

MTRS Cash Fund

For the year ending December 31, 2011

***Pension Reserves Investment Management Board***84 State Street, Suite 250
Boston, Massachusetts 02109Treasurer Steven Grossman, Chair
Michael G. Trotsky, CFA, Executive Director**State Teachers Retirement System****Cash Investment**

January 01, 2011 to December 31, 2011

	Month to Date	Calendar Year to Date
Your beginning net asset value for the period was:	\$ 26,689,932.88	\$ 15,983,579.55
Your investment income for the period was:	7,601.36	95,896.82
Your total contributions for the period were:	49,286,785.64	626,827,831.61
Your total redemptions for the period were:	(127,200,094.11)	(1,466,952,989.22)
Your total exchanges for the period were:	64,676,725.36	837,506,632.37
Your state appropriations for the period were:	0.00	0.00
Your ending net asset value for the period was:	\$ 13,460,951.13	\$ 13,460,951.13

As of December 31, 2011 the net asset value of your investment in the Cash Fund was: **\$13,460,951.13**

If you have any questions regarding your statement, please contact your Senior Client Service Officer Paul Todisco (617) 946-8423

A detailed statement of your account is attached to this summary sheet.

Appendix B

Massachusetts Pension Reserves Investment Trust Statements

MTRS General Allocation Account

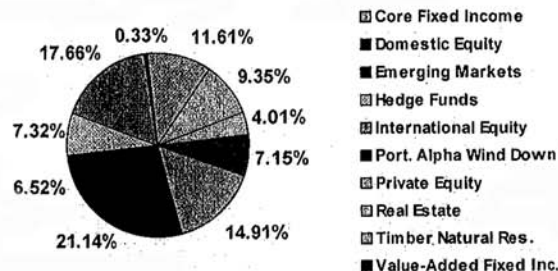
For the year ending December 31, 2011

**Pension Reserves Investment Management Board**84 State Street, Suite 250
Boston, Massachusetts 02109Treasurer Steven Grossman, Chair
Michael G. Trotsky, CFA, Executive Director**State Teachers Retirement System**
General Allocation Account
January 01, 2011 to December 31, 2011

	Month to Date	Calendar Year to Date
Your beginning net asset value for the period was:	\$ 20,253,194,346.71	\$ 21,000,336,165.38
Your change in investment value for the period was:	(73,364,700.21)	(47,676,611.87)
Your exchanges from (to) the Cash Fund for the period were:	(64,676,725.36)	(837,506,632.37)
Your ending net asset value for the period was:	<u>\$ 20,115,152,921.14</u>	<u>\$ 20,115,152,921.14</u>
Net Change in Investment Value represents the net change through investment activities as follows:		
Gross Investment Income:	\$ 56,574,898.23	\$ 633,913,530.19
Less Management Fees:	(20,615,188.58)	(103,757,349.63)
Net Investment Income:	<u>35,959,709.65</u>	<u>530,156,180.56</u>
Net Fund Unrealized Gains/Losses:	(180,764,392.66)	(1,213,510,659.26)
Net Fund Realized Gains/Losses:	<u>71,439,982.80</u>	<u>635,677,866.83</u>
Net Change in Investment Value as Above:	<u>\$ (73,364,700.21)</u>	<u>\$ (47,676,611.87)</u>

As of December 31, 2011 the net asset value of your investment in the PRIT Fund was: \$20,115,152,921.14**PRIT Fund Core****Asset Allocation**

As of December 31, 2011



If you have any questions regarding your statement, please contact your Senior Client Service Officer Paul Todisco (617) 946-8423

A detailed statement of your account is attached to this summary sheet.

Appendix C

Supplementary Schedules

Members' Balances in the Annuity Savings Account

For the year ending December 31, 2011

Previous Balance	\$	5,163,834,249
Total Additions Current Year		624,717,578
Total Interest Current Year		459,924
Reductions		35,312,498
Transfer to Annuity Reserves		368,596,325
Transfer from Pension Reserve Fund		0
Transfer to Pension Reserve Fund		0
Balance Current Year	\$	5,385,102,928

Appendix C

Supplementary Schedules

Schedule 1: Cash Account Activity During the Year

For the year ending December 31, 2011

Type of Account, Account Number, Interest Rate	Book value at the End of the Previous Year	Total Deposits this Year	Income Reinvested/ Redeposited into Account	Withdrawals During the Year	Total Book Value 12/31 this Year	Cash Income Paid to System Not Reinvested or Redeposited	Interest due and accrued 12/31
Bank of America 005102-3319	\$ 0	\$ 19,598,414	\$ 0	\$ (19,598,414)	\$ 0	\$ 0	\$ 0
BankNorth, N.A. 824-2111742	60,000	200,532	0	(260,532)	0	0	0
Mellon 007-6347	104,013	647,956,448	0	(647,845,931)	214,530	0	0
Bank Cash	\$ 164,013	\$ 667,755,394	\$ 0	\$(667,704,877)	\$ 214,530	\$ 0	\$ 0
Cash Available on MMARS	56,444,619	2,429,908,613	0	(2,480,075,817)	6,277,415		
Total Cash	\$ 56,608,632	\$3,097,664,007	\$ 0	\$(3,147,780,694)	\$ 6,491,945		
PRIT Cash Fund	\$ 15,983,580	\$1,410,172,636	\$ 0	\$1,350,179,497	\$ 13,460,951	\$ 0	\$ 0

Appendix C

Supplementary Schedules

Schedule 5: Schedule of PRIT Funds

For the year ending December 31, 2011

	PERAC Ledger Number 1199 PRIT Capital Fund
Market Value, End of Previous Year	\$ 21,000,336,165
Total Purchases this Year at Cost/Member Deductions	626,827,831
Reinvested Investment Income	633,913,530
Realized Gains	647,311,266
Realized Losses	(11,633,400)
Unrealized Gains	2,042,940,305
Unrealized Losses	(3,256,450,465)
Total Sales/Redemptions this Year: Amount Received	0
Cash Dividends Distributions to System this Year	(1,464,334,961)
Fees Paid	(103,757,350)
Market Value at the End of this Year	20,115,152,921

Appendix C

Supplementary Schedules

Schedule 6: Summary of Investments Owned

For the year ending December 31, 2011

	PERAC Ledger Number				
	1040 Cash	1198 PRIT Cash	1199 PRIT Fund		Total
Current Market Value	\$ 6,491,945	\$ 13,460,951	\$ 20,115,152,921	\$	20,135,105,817
Commissions Paid During Current Year	0	0	103,757,350	\$	103,757,350
Investment Income Received During Year	\$ 110,901	95,896	56,080,737	\$	56,287,534

Appendix D

Prior Years' Statements of Funds Flow

For the year ended December 31, 2010

	2009 Balance	Receipts	Inter-Fund Transfers	Disbursements	2010 Balance
Annuity Savings Fund	\$ 4,928,039,833	\$ 630,167,101	\$ (364,381,469)	\$ 29,991,216	\$ 5,163,834,249
Annuity Reserve Fund*	2,473,968,789	73,326,678	364,383,404	368,176,705	2,543,502,166
Pension Fund	0	843,491,771	971,575,807	1,815,067,578	0
Military Service Fund	319,019	19,438	(1,935)	0	336,522
Expense Fund	0	123,124,844	0	123,124,844	0
Pension Reserve Fund*	12,066,892,326	2,346,748,048	(971,575,807)	0	13,442,064,567
Total All Funds	\$ 19,469,219,967	\$ 4,016,877,880	0	\$ 2,336,360,343	\$ 21,149,737,504

*Beginning fund balance adjustment due to interest calculation error of \$29,578,500.

INTER-FUND TRANSFERS

Transfer from...	Annuity Savings Fund	Annuity Reserve	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total
Annuity Savings Fund to Annuity Reserve Fund for 2010 Retirements	\$ (364,381,469)	\$ 364,381,469	0	0	0	0	0
Military Service Fund to Annuity Reserve Fund for 2010 Retirements	0	1,935	0	(1,935)	0	0	0
Pension Reserve Fund to Pension Fund for Pension Benefits	0	0	\$ 971,575,807	0	0	\$ (971,575,807)	0
Adjust Military to Pension Reserve Fund	0	0	0	0	0	0	0
	\$ (364,381,469)	\$ 364,383,404	\$ 971,575,807	(1,935)	0	\$ (971,575,807)	0

Appendix D

Prior Years' Statements of Funds Flow (continued)

For the year ended December 31, 2009

	2008 Balance	Receipts	Inter-Fund Transfers	Disbursements	2009 Balance
Annuity Savings Fund	\$ 4,688,917,206	\$ 623,582,965	\$ (354,715,402)	\$ 29,744,936	\$ 4,928,039,833
Annuity Reserve Fund	2,373,445,172	58,302,355	354,715,402	342,072,640	2,444,390,289
Pension Fund	0	812,884,577	906,494,849	1,719,379,426	0
Military Service Fund	290,954	28,065	0	0	319,019
Expense Fund	0	137,466,261	0	137,466,261	0
Pension Reserve Fund	10,251,398,519	2,751,567,155	(906,494,849)	0	12,096,470,825
Total All Funds	\$ 17,314,051,851	\$ 4,383,831,378	0	\$ 2,228,663,263	\$ 19,469,219,966

INTER-FUND TRANSFERS

Transfer from...	Annuity Savings Fund	Annuity Reserve	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total
Annuity Savings Fund to Annuity Reserve Fund for 2009 Retirements	\$ (354,715,402)	\$ 354,715,402	0	0	0	0	0
Military Service Fund to Annuity Reserve Fund for 2009 Retirements	0	0	0	0	0	0	0
Pension Reserve Fund to Pension Fund for Pension Benefits	0	0	\$ 906,494,849	0	0	\$ (906,494,849)	0
Adjust Military to Pension Reserve Fund	0	0	0	0	0	0	0
	\$ (354,715,402)	\$ 354,715,402	\$ 906,494,849	0	0	\$ (906,494,849)	0

Appendix E

Actuarial Valuation and Assumptions

The most recent actuarial valuation of the System was prepared by PERAC as of January 1, 2011.

The Normal Cost for Employees on that Date was	\$	543,832	9.78% of payroll
The Normal Cost for the Employer was	\$	106,964	1.91% of payroll
The Actuarial Liability for Active Members was	\$	14,731,090	
The Actuarial Liability for Retired Members was	\$	20,159,901	
Total Actuarial Accrued Liability	\$	34,890,991	
System Assets as of that Date	\$	23,117,952	
Unfunded Actuarial Accrued Liability	\$	11,773,039	

The principal actuarial assumptions used in the valuation are as follows:

Investment Return	8.25% per annum
Rate of Salary Increase	4.75 – 8% based on years of service

Scheduling of Funding Progress

Actuarial Valuation Date	Jan 1, 2011
Actuarial Value of Assets (a)	\$ 23,117,952
Actuarial Accrued Liability (AAL)* (b)	\$ 34,890,991
Unfunded AAL (UAAL) (b-a)	\$ 11,773,039
Funded Ratio (a/b)	66.3%
Covered Payroll (c)	\$ 5,558,311
UAAL as a % of Covered Payroll ((b-a)/c)	211.8%